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This paper proposes further research be conducted to advance our knowledge in the field of non-profit marketing through the development of frameworks to help identify the drivers of corporate giving in Australia. Existing conceptualisations are predominately based on limited overseas research, and take little account of the commercial realities of corporate life and the increasing pressures facing many organisations in achieving concrete outcomes from their giving behaviour. In an environment of increased competition for scarce resources amongst non-profits, the better understanding of how and why corporations provide support will be beneficial. It will enable non-profit organisations to better communicate with corporations, target requests and compete for corporate giving. This paper commences by exploring some reasons why non-profit organisations need to understand the processes of corporate giving, recognises a firm definition of corporate giving has not been reached, provides some background into corporate giving in Australia, and looks briefly at some of the key models that have been developed for corporate giving. It then concludes with some research propositions for future research in this important area.

Keywords

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On The Motivations Of Corporate Giving In Australia

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Abstract

This paper proposes further research be conducted to advance our knowledge in the field of non-profit marketing through the development of frameworks to help identify the drivers of corporate giving in Australia. Existing conceptualisations are predominately based on limited overseas research, and take little account of the commercial realities of corporate life and the increasing pressures facing many organisations in achieving concrete outcomes from their giving behaviour. In an environment of increased competition for scarce resources amongst non-profits, the better understanding of how and why corporations provide support will be beneficial. It will enable non-profit organisations to better communicate with corporations, target requests and compete for corporate giving. This paper commences by exploring some reasons why non-profit organisations need to understand the processes of corporate giving, recognises a firm definition of corporate giving has not been reached, provides some background into corporate giving in Australia, and looks briefly at some of the key models that have been developed for corporate giving. It then concludes with some research propositions for future research in this important area.

Key words: Corporate giving, social responsibility, corporate philanthropy.

Introduction

Many non-profit organisations rely heavily on giving and fund-raising of money, resources, and volunteers' time to deliver their social programs (c.f. Cohn, 1998 and ACROD, 2004). In Australia this giving originates from Government (65%), personal donations (23%) and "corporate giving" (12%) - which includes employee volunteering (Philanthropy Australia, 2005). Although corporate giving is only a small part of the total income for Australian non-profits, and international research reported by Sargeant and Joy (2004) suggests the overall the percentage of corporate organisations that offer their support (i.e. those that do give) is relatively small, without corporate support many social programs of non-profit organisations would be incomplete or could not commence.

Why Non-Profits Need to Understand Corporate Giving

Many researchers have discussed the issue of understanding the customer of a traditional for-profit organisation – what is termed "market orientation" (c.f. Crittenden, 2005, Gainer & Padanyi, 2005). Sargeant, Foreman and Liao (2002) state that in research literature the term market orientation is "(consensually) preferred to denote the implementation of the marketing concept or philosophy", and there is "an overwhelming body of evidence" that this definition has relevance to the non-profit sector, but that some adaptation may be required. Market orientation is a relatively recent adoption by the non-profit sector, as it was not until the 1970's that it was being embraced by the major non-profits and the 1980's before integrated marketing communication began to be used for individual donors.

Research has shown that adoption of a market orientation can increase fundraising performance (c.f. Bennett 1998; Gainer & Padanyi, 2005). A key issue that has been identified is the need for non-profits to interact with different donor groups using different marketing techniques e.g. a different technique for consumer and corporate donors (Padanyi & Gainer, 2004), rather than the traditional approach of treating them as secondary stakeholders with little regard to their concerns. Emphasising this need for donor/customer satisfaction, authors such as Sargeant, Foreman and Liao (2002) - while supporting the general concept of marketing for non-profits - argue that it should be operationalised by non-profits as a societal orientation rather than purely a market orientation. By this they mean that non-profits are not only concerned with customer (i.e. end consumer) satisfaction, they are also concerned with the satisfaction of their "other" customers i.e. their "suppliers" or donors, as well as the longer term benefit to society. From their research they suggest that important factors for non-profits to consider include stakeholder orientation, stakeholder goal congruence (do the donors, non-profits and recipients agree on the goals?), and the degree of the non-profit inter-functional coordination (do the fundraisers communicate the donors wishes correctly within the non-profit so that goal congruence can be reached?). These considerations of donor satisfaction present different challenges for non-profits to those of "profit" driven organisations. Specifically, non-profit organisations must understand the motivations and drivers of corporate support behaviour in order to maximise both the level of corporate support and the level of satisfaction of corporate supporters.

Considerable research has been conducted in the drivers of consumer giving behaviour (c.f. Guy and Patton, 1989; Cook, 1998, Polonsky, Shelley and Voola, 2002; Sargeant and Joy, 2004) yet our understanding of corporate giving behaviour in Australia is still very limited. Information and knowledge (and understanding) of how and why corporations give will enable non-profit organisations to better position themselves in communicating with corporations, targeting requests and competing for corporate giving. From an academic perspective, additional knowledge of the process of corporate giving will improve our understanding in for-profit and non-profit marketing and management, through constructing research tools and models that contribute to sensible theory, and developing applications that help both policy and practice in marketing of the non-profit sector. It is posited that understanding the for-profit corporations is vital for both raising funds in the short term (through successfully obtaining funds from the corporate sector) and the long term (through successfully maintaining corporate support so they will desire to continue giving). Currently in Australia research is typically carried out on how much is given, and who gives (c.f. ABS 2002 and Corporate Good Works 2001-2-3) – not why, and how it is given.

What is Corporate Giving?

In reviewing the academic literature it becomes apparent that there is a lack of consensus as to a strict definition of corporate giving. Burlingame (2001) states "…let us agree that the term "corporate giving" will reflect what was historically referred to as "corporate philanthropy", and also include cause related marketing, non-profit sponsorship events, voluntary time contributions given by company employees while on the company clock, and research dollars provided to non-profits". Others such as Marx (1996, 1999) define corporate giving by using a very broad definition of the term "strategic corporate philanthropy" and include such items as partnerships between corporations and service organisations, and other tax deductible items (in the USA) such as donations of products, investments for social purposes at below-market rates of return etc.) Kotler & Lee (2005) use a broader definition again, calling it "Corporate Support" and include the above plus items such as access to distribution channels and technical expertise. They define "corporate social responsibility", as "a commitment to improve community well-being through discretionary practices and contributions of corporate resources". In their view, Corporate

Social Responsibility (CSR) is by definition a voluntary act by the corporation and they and others use the term CSR as meaning a corporate philosophy that includes topics such as philanthropy, corporate community involvement (CCI), cause related marketing (CRM), corporate citizenship (CC) and triple bottom line reporting (c.f. Wymer and Samu, 2003; Heyden and Rijt, 2004 and Lucas 2004) - although dictionary definitions would suggest some significant differences between these topics. In Australia, the most commonly cited definition is that used by the Australian Bureau of Statistics, which defines corporate giving as including cash given and the "dollar equivalent values" of any goods or services components associated with any business giving arrangements (ABS, 2002).

The lack of consensus on the definition of corporate giving seems to be typical of an area of marketing that is in transition and in need of additional research. Given that corporate “philanthropy” is often characterized as the most discretionary form of corporate social responsibility (Seifert, Morris and Bartkus, 2003), and that “strategic philanthropy” is becoming much more common (Kotler and Lee, 2005), determining a definition that is useful to both academics and practitioners necessitates further research in order to allow for increased understanding and better comparisons between companies, industries and countries.

Corporate Giving in Australia

Statistical data on giving in Australia is difficult to obtain and is not comprehensive as surveys are carried out only intermittently (Philanthropy Australia, 2005). In 2002 the Australian Bureau of Statistics released the results of a 2001 user-funded survey of 9,000 Australian businesses (93% response rate), collecting information on "business giving", which they define as “including cash given and the "dollar equivalent values" of any goods or services components associated with any business giving arrangements”(ABS, 2002). The amount given was said to be $1,447m (including $586m in cash donations) which for the businesses who gave, represents 1.66% of pre-tax operating profit. (ABS, 2002). The lack of an internationally recognised definition of corporate giving means that data from different countries includes different inputs and is not directly comparable, but by way of limited indirect comparison, in the 1990’s USA corporations “cash and non-cash contributions” totalled around 1.1-1.3% of total corporate sector pre-tax profits (Helland and Kiholmn Smith, 2004), while in the UK “charitable donations” were around 0.4% of total corporate sector pre-tax profits in 1999 (Campbell, Moore and Metzger, 2002).

In July 2004 the Government announced a new initiative of the Community Business Partnership - a research project into Australian philanthropy and the fundraising and development capacity of the not-for-profit sector. Its task is to “examine all forms of giving for community benefit - from donations with no benefit accruing to the donor through to philanthropic relationships encompassing mutual benefits, such as sponsorship arrangements and community business partnerships” (Patterson, 2004). In February 2005, the Project released some preliminary qualitative findings from 18 focus groups and 10 in-depth interviews between August and December 2004, which is said to represent approximately fifty per cent of the total number of groups and interviews to be conducted during this project. (Giving Australia, 2005). The definition adopted for corporate giving in this study is the same as used by the Australian Bureau of Statistics in 2002. Two of the key preliminary findings of this study are that business approaches to giving were very individualistic (with) few reference points (especially) for small and mid-size businesses; and there was wide variability in the extent to which business supports charities, the motivation for doing so, and the extent to which they had policies in place.

Development of Models of Corporate Giving

While individual donor behaviour has been frequently modelled (c.f. Guy and Patton, 1989, Polonsky, Shelley and Voola, 2002, and Sargeant and Joy, 2004), to date there have been few attempts to model the various aspects of corporate giving. It has been proposed that the motivation for corporate giving "is a reaction to the seismic shifts in the social climate that are a part of each period in history" (Nevin-Gattle, 1996). The role of the corporations' interactions with modern society in this period of history is coming under increased consumer and other key stakeholder scrutiny (Birch and Littlewood, 2004).

Very few models of corporate giving have been attempted. Some have been developed in specific contexts, geographic locations and industries (e.g., Campbell, Gulas and Gruca, 1999). The results are of these are not easily transferable to the Australian context because of this specificity. Simon (1995) developed a framework for global philanthropy however it provides only limited insight as to some of reasons behind global corporate giving. Buchholtz, Amason and Rutherford (1999) studied the effects of managerial discretion and values on corporate "philanthropy". They compared responses from the CEO and several top management team members of 43 US firms in the food service and software development industries, including one question concerning managerial discretion in decisions regarding charitable contributions, and their personal values as determined by relative importance of six different organisational goals. They constructed a model of how the firm's resources, and managerial discretion and values work together to influence a firm's level of philanthropy (Fig 1: below).

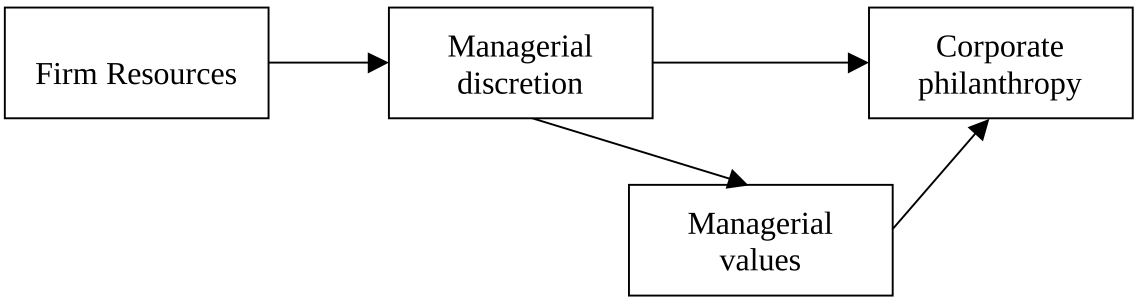

Figure 1: The partially mediating effect of managerial values on the relationship between managerial discretion and corporate philanthropy. (Buchholtz, Amason et al. 1999)

Although limited in its testing and development, their broad conceptual model serves as the solid basis for further research. Jones (2000) has further studied the topic of influence of the personal values of individual senior executives on a firms philanthropic decision-making processes and developed a general theoretical decision-making model for an individual, based on the premise that corporations are the sum total of their individual decision-makers. Different in scope, it nevertheless provides additional understanding of theory behind the "managerial values" aspect of the Buchholtz, Amason and Rutherford model, thus adding further depth to the topic area. Moir and Tafler (2004) designed a basic integrated framework of corporate "philanthropy" based on research into the Arts sector in the UK, which extended a previous model developed by Young and Burlingame (1996). It focuses on corporate motivations (rather than the motivations of the individual manager) and while based on the Arts sector proposes a very general framework for analysing corporate philanthropy along the dimensions of business/society interest and primary/secondary stakeholder focus.

Knowledge Gaps in Modelling Corporate Giving

Considering the Buchholtz, Amason and Rutherford model (Figure 1: above) which included the effects of managerial and discretionary values, it is considered that the relationship between the resources of the firm and the amount of corporate giving is reasonably well researched overseas, (c.f. Campbell, Moore and Metzger, 2002; Brammer and Millington, 2004 for a summary of and references to some of these) - even though there is still much discussion as to which resource measure should be used; but the topic of resources and corporate giving is still considerably under researched in Australia. The limited international research into the actual effects of managerial values and discretion on corporate giving (e.g., see Galaskiewicz and Burt, 1991 and Buchholtz, Amason and Rutherford 1999) does provide some insights into the process involved however the exploratory nature of these studies and limited statistical analysis of any causal effects necessitates that further research be conducted. In Australia, while Jones (2000) has looked at a general model of individual manager (not corporate level) decision making, research into the effects of values and discretion, the key aspects of the Buchholtz, Amason and Rutherford model (Figure 1: above) need much further investigation. It is suggested the Buchholtz, Amason and Rutherford model predominately examines managerial influence and does not take into account the modern corporate pressures of achieving concrete outcomes from their giving behaviour. What is considered to be missing from this model is the influence of these pressures on the use of the firms' resources, before managerial discretion is applied; and the strategic intent of the modern corporation that is being applied to the managerial discretion.

Future Research Directions: Propositions

As stated previously, corporate giving behaviour has been influenced by the concept of "Strategic Philanthropy" – a marketing and management practice that emerged in the 1980's (McAlister and Ferrell, 2002) – but both practitioners e.g., as reported by Birch and Littlewood (2004), and academics e.g., Kotler and Lee (2005) have recently been questioning whether there are, and should be, deeper motives to corporate giving. In order to better understand the motivations of corporate giving in Australia, and overcome the limitations of prior conceptualisations it is proposed that the following areas be examined. Why do organisations decide to give? Who are the key influencers? What do they prefer to give and why? On this basis the following research propositions have been developed:

P1: Companies that are more sensitive to key stakeholder concerns about Corporate Social Responsibility are more likely to allocate resources to corporate giving activities.

P2: Management decision-making in regards to donation behaviour and choice of (non-profit) recipient organisation is becoming more strategically aligned with the core values the company wishes to project to their key stakeholders and the general public.

The research will advance the basic theoretical and empirical foundations and produce results that are widely generalisable, which is necessary as the current knowledge of the process of Australian corporate giving is very limited. It will add significant new understanding to the topic; be of benefit in helping to focus non-profit organisations marketing intelligence systems and help improve marketing programmes aimed at this important donor segment.

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